

IV] Strategic Plan



Financially speaking, there has been little good news in recent years for Washington State Ferries. First impacted in 1999 when the voters and the legislature approved Initiative 695, the financial challenges continue.

Financial Challenges

- 1999 Voters Approve Initiative 695
- 2000 The Legislature Adopts the Provisions of Initiative 695. The cost to the ferry system is approximately 25% of the Operating budget (\$31 million) and virtually all of the Capital budget (\$120 million).
- 2000 The Legislature approves transfers from the Motor Vehicle Account for capital funding. Service changes coupled with a series of fare increases and transfers from the Motor Vehicle Account stabilizes operating budget.
- 2001 Ferry System proposes a plan to produce new revenue with initiatives in advertising and marketing.
- 2002 Voters reject Referendum 51 that would have provided critical funding for capital projects including four new ferries, preservation and maintenance and new ferry terminals.
- 2003 Legislature approves the “Nickel Package,” a \$4.2 billion package of transportation improvements across the state funded primarily from a 5¢ increase to the gas tax and other license fees. For the ferry system, \$300 million was authorized for vessel and terminal construction activities around the Sound.

Strategic Plan

In the fall of 2002, Washington State Ferries unveiled a new Strategic Plan comprised of four goals and the Business and Capital Funding Plan to achieve them. Acknowledging that any new resources would be limited, the Strategic Plan provides a sustainable future for the state ferry system through a focus on refining our business practices, broadening our revenue base and investing in our capital infrastructure.

Washington State Ferries Strategic Goals

1. Continually Improve and Refine Our Business Processes
2. Broaden Our Revenue Base and Reduce Costs
3. Promote and Assist in the Planning of Regional Transportation Centers
4. Re-define Who We Are

WSF 5+5+5 Business Plan (Increasing Operating Funds)

In order to achieve the Strategic Goals, WSF developed the 5+5+5 Business Plan. The 5+5+5 Business Plan means that the ferry system is responsible for reducing costs by 5%, capping ferry fare increases at 5%, and generating 5% in new revenues with a comprehensive retail, marketing, and advertising program. Under this new plan, the ferry system will be able to recover 90% of its operating costs by 2008 with revenues generated by the ferry system (currently the ferry system cover approximately 73%).

Capital Funding Plan (Increasing Capital Funds)

The Capital Funding Plan builds on the 5+5+5 Business Plan to address the ferry system's urgent capital needs. The plan provides funding for much-needed major preservation projects and new vessel construction. With aging terminals and four vessels in the fleet that were built when Calvin Coolidge was president, WSF needed to find a way to fund infrastructure improvements without new state revenue.

Without money for new vessels, WSF is faced with the potential of pouring millions of dollars into four of the oldest vessels in the fleet just to keep the current level of service for a few years. If these aging vessels are not replaced and our terminals not maintained properly, we will no longer have a viable ferry system.

The Capital Funding Plan is based on a straightforward formula:

$$\begin{aligned} \text{Service reductions} + \text{vessel retirements} &= \text{less preservation work} \\ \text{Less preservation work} &= \text{funding for critical capital investments} \end{aligned}$$

The service reductions were selected to affect the fewest number of riders, leave no one without a transportation alternative and ultimately ensure a viable ferry system. At a time when public agencies must do more with less, Washington State Ferries had to focus on investing in its own capital needs to ensure a sustainable ferry system for years to come.

Phase One of the Capital Funding Plan (2003–2005)

Implementation of the Capital Funding Plan began in Fall 2003. The first step of the plan, discontinuation of passenger-only ferry service from Seattle to Bremerton and Vashon Island, was slated for June 15, 2003. However, the state legislature granted a three-month grace period for the Seattle-Bremerton service; and funded a two-year extension in service to the Vashon-Seattle route. The Legislature will decide the long-term future of WSF's role in passenger only service during the 2005 legislative session.

Phase Two of the Capital Funding Plan (2005–2013)

Phase Two includes building four new boats and upgrading an existing terminal. These capital projects are critical to the ferry system infrastructure. The money the ferry system saves from implementation of Phase One will provide funds for the work scheduled through 2013. Phase Two of the plan spans the period from 2005 – 2013.

During this phase, WSF expects to construct and take delivery of the new vessels, retire four old Steel Electric auto ferries, and begin service at a new terminal in Keystone.

During this eight-year timeframe, WSF plans to implement cost-saving service changes, including discontinuing service to Sidney, B.C. for 12 weeks during the winter season when service demands are low, and eliminating a third vessel during weekend service on the Fauntleroy-Vashon-Southworth route. The possibility of auto ferry service between Vashon and Southworth into Pier 52 (downtown Seattle) will be explored. WSF will also consider a new focused approach to the maintenance facility located at Eagle Harbor, by studying alternative sites for the facility as suggested in a recent legislative oversight committee report.

On the Brink...

New Concessions Model Means More Options

In Fall of 2003, Washington State Ferries issued a Request for Proposals (RFP) for concession services. A key component of the RFP is a totally new approach to concession services.

The new concessions model provides for greater flexibility in the range and type of services for passengers and it allows WSF to be more responsive to change so that the organization can meet customer interests and needs.

In 2004, WSF will begin the review process of bids submitted by interested vendors for onboard and shoreside food, beverage and retail services. Potential vendors will then conduct negotiation discussions with the Inlandboatman's Union (IBU), the union that represents ferry galley workers.

New Seattle Terminal

Colman Dock (Pier 52) is located along the Seattle waterfront and is the heart of the ferry system. It is an inter-modal transportation terminal accommodating pedestrians, autos, trucks, buses, bicycles, and emergency vehicles. Of the approximately 25 million riders who use the ferries annually, 36% or 9 million of those riders come through Pier 52.

Pier 52 is an extension of the highway system allowing Interstate 5 and Interstate 90 to connect across Puget Sound to Bainbridge and Vashon Islands, and Kitsap Peninsula to the west. On the busiest commuter route, Bainbridge to Seattle, WSF carries approximately 18,000 people in an average day, and approximately 700 vehicles per hour during peak travel hours.

Washington State Ferries plans to remodel Colman Dock to include space for vendors and retailers inside the terminal. Construction of the new terminal at Pier 52 in Seattle is slated to begin in 2004.

